

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF TEXAS
SAN ANTONIO DIVISION**

IN RE:	§	CASE NO. 03-57256
	§	
JOHN TAYLOR CONDIT,	§	(CHAPTER NO. 7)
	§	
DEBTOR.	§	

**GUILFORD CAPITAL CORPORATION'S RESPONSE TO MOTION FOR RELIEF
FROM STAY FILED BY WASHINGTON MUTUAL BANK, F.A.**

TO THE HONORABLE LEIF M. CLARK,
UNITED STATES BANKRUPTCY JUDGE:

Guilford Capital Corporation ("Guilford") files this Response to Motion for Relief from Stay Filed by Washington Mutual Bank, F.A. ("Response"), and would show:

ANSWER

1. Admitted.
2. Admitted.
3. Admitted.
4. First sentence and second sentence: Guilford is without information or knowledge sufficient to admit or deny what Washington Mutual Bank, F.A. ("WaMu") may have learned or discovered and therefore denies same. Third, fourth and fifth sentence: Guilford is without information or knowledge sufficient to admit or deny the veracity of the third, fourth or fifth sentence and therefore denies same.
5. Guilford is without information or knowledge sufficient to admit or deny the veracity of this paragraph and therefore denies same.
6. First sentence: Guilford is without information or knowledge sufficient to admit or deny the veracity of the first sentence and therefore denies same. By way of further explanation, Guilford admits a turnover order was entered. Second and third sentence: Guilford

is without information or knowledge sufficient to admit or deny the veracity of the second and third sentences and therefore denies same. The order speaks for itself.

7. First and second sentence: Guilford is without information or knowledge sufficient to admit or deny the veracity of the first and second sentences and therefore denies same. Third and fourth sentence: Guilford is without information or knowledge sufficient to admit or deny the veracity of the third and fourth sentences and therefore denies same. The order speaks for itself.

8. Guilford is without information or knowledge sufficient to admit or deny the veracity of this paragraph and therefore denies same.

9. Guilford is without information or knowledge sufficient to admit or deny the veracity of this sentence and therefore denies same. The order speaks for itself.

10. Guilford is without information or knowledge sufficient to admit or deny the veracity of this paragraph and therefore denies same.

11. Denied.

12. Guilford is without information or knowledge sufficient to admit or deny the veracity of this paragraph and therefore denies same.

13. Guilford is without information or knowledge sufficient to admit or deny the veracity of this paragraph and therefore denies same.

14. Admitted.

15. First sentence: Guilford is without information or knowledge sufficient to admit or deny the veracity of this paragraph and therefore denies same. By way of further answer, Guilford admits WaMu is owed some balance, but is without information sufficient to determine such amount. Second sentence: denied.

16. First sentence: Denied. Second sentence: Admitted. Third sentence: Guilford is without information or knowledge sufficient to admit or deny the veracity of this paragraph and therefore denies same.

17. Denied.

18. Guilford is without information or knowledge sufficient to admit or deny the veracity of this paragraph and therefore denies same.

19. Denied.

20. Denied.

RESPONSE

1. Guilford does not believe cause exists to lift or modify the stay in this matter. WaMu's alleged facts establish that WaMu has already reduced its claim to judgment, and therefore liquidation of the claim is not an issue.

2. Guilford denies that WaMu possesses a judicial lien on the 20 assets listed in the Turnover Order by virtue of actions of the receiver appointed pursuant to the provisions of Section 31.002 of the Texas Civil Practice and Remedies Code. Guilford denies that WaMu has a judicial lien or a security interest (WaMu only appears to assert a judicial lien but has at times called such lien a "security interest"). Neither WaMu nor the Receiver ever held or possessed the corporate stock of Domicile Property Management, Inc. ("**DPMI**") or the stock of many of the other "20 assets." WaMu cannot obtain a lien in corporate stock pledged to and held by Guilford, simply by seizing the assets belonging to a non-debtor corporation, in this case DPMI, whose stock was owned by the Debtor but pledged to and held by Guilford.

3. While it is true that the Debtor has filed a chapter 7 bankruptcy petition, WaMu and other creditors feel that the only way the true value of DPMI will be realized for the benefit of lienholders and unsecured creditors is through the continued operation of DPMI. Therefore,

the assets in which WaMu claims a lien, are effectively necessary for an effective reorganization seeking to maximize liquidation value of the Estate's assets.

4. At this Court's April 14, 2004 hearing on WaMu's Motion to Transfer Venue, WaMu conceded Guilford's prior lien on the pledged stock of DPMI. Guilford's claim is scheduled by the Debtor at \$26 million. DPMI's stock secures the Debtor's guaranty agreements in favor of Guilford. There is a fact question as to whether or not equity exists over and above Guilford's liens related to guaranty agreements signed by the Debtor. Therefore, Guilford denies that WaMu can establish cause to modify the stay and denies that WaMu has a lien with which it can foreclose on the "20 assets."

5. Because Guilford denies that WaMu has an interest in the 20 assets, Guilford similarly denies that WaMu is entitled to any sort of adequate protection with respect to such assets.

WHEREFORE, premises considered, Guilford prays that the Court deny Washington Mutual Bank, F.A.'s Motion for Relief from Stay.

Dated: May 4, 2004.

Respectfully submitted,

COPELAND, FRANCO, SCREWS & GILL,
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A handwritten signature in black ink, appearing to read "Mike Parker", written over a horizontal line.

By: /s/ Michael M. Parker

Michael M. Parker

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COUNSEL FOR GUILFORD CAPITAL
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CERTIFICATE OF SERVICE

I hereby certify that on May 4, 2004, true and correct copies of the foregoing Response were served on the entities on the attached service list by United States first-class mail, postage prepaid.

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/s/ Michael M. Parker

Michael M. Parker

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IN RE:

**JOHN TAYLOR CONDIT,

DEBTOR.**

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CASE NO. 03-57256

(CHAPTER NO. 7)

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